

May 21, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director, Department of Community Development
Subject: Approval of an Economic Development Initiative (EDI) – Special Projects Subrecipient Contract Between the City of Durham and Calvary Ministries of the Westend Community, Inc.

Executive Summary

The City of Durham received a grant from the U.S. Department of Housing and Urban Development (HUD) under the Economic Development Initiative (EDI) – Special Projects. The funds were awarded to various cities to help stimulate economic development efforts. The City of Durham allocated \$91,353.97 in EDI funds to Calvary Ministries of the Westend Community, Inc. (Calvary Ministries) to purchase equipment for a proposed commercial kitchen at the Lyon Park Community Center. The kitchen would be used for culinary arts training and to prepare meals for special programs and events.

Recommendation

The Department of Community Development recommends that the City Council: 1) Authorize the expenditure of up to \$91,353.97 in Economic Development Initiative (EDI) – Special Projects grant funds by Calvary Ministries of the Westend Community, Inc. for the purchase of equipment for the commercial kitchen at the Lyon Park Community Center; and 2) Authorize the City Manager to execute a Subrecipient Contract between the City of Durham and Calvary Ministries of the Westend, Inc. to purchase kitchen equipment for the Lyon Park Community Center.

Background

In July 2008, the City Council approved the expenditure of up to \$91,353.97 in EDI funds for Calvary Ministries of the Westend Community, Inc. to purchase kitchen equipment for the Lyon Park Community Center. The City of Durham and Calvary Ministries of the Westend Community, Inc. entered into a Subrecipient contract to purchase the equipment on August 21, 2008. As stipulated in the Contract, Calvary Ministries provided the City with a paid receipt containing a list of kitchen equipment items that had been purchased from United Restaurant Equipment Company of Raleigh in the amount of \$91,324.00. Calvary Ministries was then reimbursed for that amount by the City.

Calvary Ministries informed Department of Community Development (DCD) staff during a site visit that although the organization placed an order for the kitchen equipment, the United Restaurant Equipment Company never finalized the order with its vendors and that the company had returned the funds to Calvary Ministries. DCD staff requested that Calvary Ministries return the EDI funds to the City immediately and the Department of Housing and Urban Development (HUD) was contacted concerning the matter. Calvary Ministries

promptly returned the total amount of allocated EDI funds they received back from the equipment company to the City.

Due to program close-out, HUD instructed DCD not to return the funds, but instead to use its discretion to allocate the remaining EDI funds to an eligible activity. Since, the commercial kitchen construction had not been completed, DCD staff began meeting with Calvary Ministries to determine a completion schedule for the kitchen and whether or not the EDI funds were still needed for the kitchen equipment purchase. During the past year, staff met with the Calvary Ministries Kitchen Committee to discuss project construction costs obtained from Waspco Corporation, the hired Construction Manager, and to receive progress reports pertaining to the necessary fund raising required to complete the kitchen. The project costs as shown in the construction budget (including construction and kitchen equipment) are \$349,362.00. Calvary Ministries has received written commitments from Calvary Ministries of the Westend Community, Inc., Duke University, Duke Chapel and other pledges and proceeds in the amount of \$350,022.14 to cover the cost of the construction. The \$91,324.00 in EDI funds would be used by Calvary Ministries to purchase a major portion of the needed kitchen equipment which now totals \$96,758.00.

Issues/Analysis

A new contract will be needed in order to allocate the EDI grant funds to Calvary Ministries for the purchase of equipment for the commercial kitchen at the Lyon Park Community Center. The \$91,353.97 in EDI grant funds will be used to supplement the amount of funds needed to complete the construction of the kitchen. As contained in the contract, the EDI funds would be made available to Calvary Ministries on a reimbursement basis. Although the City would not reimburse Calvary Ministries for the kitchen equipment purchased until the kitchen has received final sign-off from the Inspections Department, Calvary Ministries would be allowed to place an order for the equipment when 50% or more of the construction of the kitchen has been completed. Qualified DCD staff would inspect the construction of the kitchen to determine the percent completed. If satisfactory progress has been made, quotes would then be solicited by Calvary Ministries from kitchen equipment vendors and the order would be placed.

Alternatives

The City Council could choose not to approve the Economic Development Initiative (EDI) – Special Projects Subrecipient Contract between the City of Durham and Calvary Ministries of the Westend Community, Inc. for development of the Lyon Park Community Center kitchen. The EDI funds would then need to be allocated to another eligible subrecipient. Calvary Ministries would then have to seek funding for the kitchen equipment needed to complete the commercial kitchen project.

Financial Impacts

Approval of this expenditure does not impact the General Fund. The EDI funds have been reserved by the City for this purpose.

SDBE Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.